

MEMORANDUM

Department of Financial Services



To: Honorable Mayor and City Council
Through: Charles Lawson, Acting City Manager
From: Emma C. Karlen, Director of Financial Services *Em C Karlen*
Subject: City Council's Requests
Date: April 28, 2005

In response to the City Council's inquiry during the budget work session on March 31, 2005, staff has prepared the attached reports and schedules for the City Council's information. These reports are as follows:

- 1) A schedule showing the salary and benefits percentage increase from FY 02-03 to FY 04-05. The schedule uses FY 01-02 as the base year and calculates the percentage increase each year as compared to the previous year for both salary only and salary and benefits combined. The schedule also projects percentage increase for FY 05-06, assuming no salary increases for those employee groups whose MOUs expire on June 30, 2005.
- 2) A report showing longevity pay and the number of eligible employees for FY 04-05. The report also projects longevity pay for FY 05-06 and FY 06-07.
- 3) An Overtime Report by department as of March 31, 2005.
- 4) A schedule comparing Milpitas salary and benefits to ten other similar size cities within the Bay Area for selected positions. This schedule was prepared and provided by Human Resources Department.
- 5) A survey of the same ten cities regarding provision of longevity pay. This survey was conducted and provided by Human Resources Department.
- 6) A survey of personnel cost budget of other neighboring cities.
- 7) A schedule showing personnel cost budget trends for the City of Milpitas in the last nine years.
- 8) General Fund Three year Projection for FY 05-06 through FY 07-08 (working draft only). The assumptions for the projection are listed at the bottom of the schedule.
- 9) A list of unfunded programs or services from each department due to reduced funding.

Please let me know if you need more information or if any of the reports are unclear.

Salary & Benefits Percentage Increase from FY 02-03 to FY 05-06

BARGAINING GROUP	Contract dates	FY02-03		FY03-04		FY04-05		3 yrs Compounded Total		FY05-06 Projected	
		Salary	Sal & Ben	Salary	Sal & Ben	Salary	Sal & Ben	Salary	Sal & Ben	Salary	Sal & Ben
Protech	7/1/01-6/30/05	5%	12%	5%	6%	4%	9%	15%	30%	0%	4%
Mid-Management	7/1/04-12/31/05	6%	13%	5%	6%	4%	9%	16%	31%	2%	6%
POA - Safety	1/1/02-6/30/05	8%	10%	8%	12%	5%	12%	23%	38%	0%	1%
POA - Non Safety	1/1/02-6/30/05	8%	16%	8%	9%	5%	10%	23%	39%	0%	4%
MSA	1/1/02-12/31/05	5%	12%	4%	5%	5%	10%	14%	29%	4%	7%
MEA	1/1/03-12/31/05	2%	10%	4%	6%	5%	10%	11%	27%	3%	7%
IAFF	1/1/01-6/30/05	8%	11%	5%	9%	3%	13%	17%	36%	0%	1%
Exempt & Unrep - Misc	N/A	6%	13%	5%	6%	5%	9%	16%	30%	0%	4%
Exempt & Unrep - Fire	N/A	6%	6%	5%	8%	5%	15%	16%	31%	0%	1%
Exempt & Unrep - Police	N/A	6%	6%	5%	10%	5%	12%	16%	31%	0%	1%

Total

Benefits:

- 1) Basic benefits provided to all employees include: medical, dental, vision, employer's contributions to PERS, medicare, life insurance & long-term disability
- 2) MEA, MSA and Protech employees receive employer's contributions to LIUNA pension
- 3) MPOA, unrepresented Police management, MSA and MEA employees receive employer's contributions to retirees' dependent medical care calculated at a % of salary & benefits.
- 4) Protech, Mid-management, MSA, and all unrepresented management employees receive employer's contributions to deferred comp.
- 5) MPOA and unrepresented Police management employees receive employer's contributions to a MPOA trust fund.
- 6) MPOA sworn and IAFF employees receive 6% holiday-in-lieu pay added to base pay.
- 7) MPOA and IAFF employees receive longevity pay.

Longevity Pay

Public Safety non-management employees (MPOA, IAFF) receive longevity pay with the following provisions:

3% of base pay after 9 years of service

5% of base pay after 14 years of service

7% of base pay after 19 years of service

Based on current employees

	FY04-05		Projected FY05-06		Projected FY06-07	
	Longevity pay	No. eligible	Longevity pay	No. eligible	Longevity pay	No. eligible
POA - Safety	\$226,297	47	\$257,929	51	\$282,637	52
POA - Non Safety	33,652	10	37,200	10	43,384	12
IAFF	203,874	36	206,945	37	221,888	38
Total	<u>463,823</u>	<u>93</u>	<u>502,074</u>	<u>98</u>	<u>547,909</u>	<u>102</u>
No. of employees eligible for 3%		27		28		24
No. of employees eligible for 5%		36		33		31
No. of employees eligible for 7%		<u>30</u>		<u>37</u>		<u>47</u>
		<u>93</u>		<u>98</u>		<u>102</u>

Overtime Report By Department
From July 1, 2004 through March 31, 2005

	<u>FY 04-05 Budget</u>	<u>YTD Expenditures</u>	<u>Percentage of Budget</u>
City Manager	6,000	16,316	271.9%
Engineering	41,100	42,903	104.4%
Building	26,000	10,259	39.5%
Recreation	<u>22,450</u>	<u>11,149</u>	49.7%
Policy Planning	95,550	80,627	84.4%
Finance	28,000	18,238	65.1%
Public Works	185,500	62,719	33.8%
Planning	40,000	11,920	29.8%
Police	601,880	540,302	89.8%
Fire	497,594	635,846	127.8%
Information Svcs	-	1,503	n/a
Human Resources	<u>-</u>	<u>414</u>	n/a
Total	<u><u>1,448,524</u></u>	<u><u>1,351,569</u></u>	93.3%

**Benchmark Comparison of Total Compensation to
Cities of Similar Size
Effective April 2005**

CITY Population	Milpitas	Livermore	Mountain View	Palo Alto	Pleasanton	Redwood City	San Leandro	Santa Clara	So. San Francisco	Union City	Walnut Creek	AVERAGE SALARY	PERCENT ABOVE AVERAGE
73,345		70,708		58,598	63,654	75,402	79,452	107,204	60,552	65,869	64,296		
POLICE													
Police Officer	\$ 148,848	\$ 119,640	\$ 135,312	\$ 136,108	\$ 122,748	\$ 147,252	\$ 138,168	\$ 139,632	\$ 126,976	\$ 136,066	\$ 128,712	\$ 133,160	12%
Police Sergeant	\$ 176,748	\$ 140,892	\$ 160,656	\$ 160,104	\$ 143,652	\$ 183,576	\$ 163,056	\$ 159,924	\$ 150,816	\$ 162,466	\$ 157,968	\$ 158,310	12%
Police Lieutenant	\$ 202,836	\$ 169,344	\$ 190,620	\$ 174,504	\$ 159,528		\$ 192,480	\$ 183,372	\$ 184,152	\$ 178,644	\$ 195,120	\$ 180,863	12%
FIRE													
Firefighter/Paramedic	\$ 147,540		\$ 133,068	\$ 127,200	\$ 122,388	\$ 151,356		\$ 138,576	\$ 132,492	\$ 142,776		\$ 135,408	9%
Fire Captain	\$ 159,240		\$ 144,408	\$ 136,692	\$ 137,436	\$ 165,936		\$ 152,004	\$ 144,948	\$ 152,412		\$ 147,691	8%
LIUNA Mid-Management													
Principal Civil Engineer	\$ 153,624	\$ 142,560	\$ 140,928	\$ 137,028	\$ 141,492	\$ 146,784	\$ 152,148	\$ 164,352		\$ 139,908	\$ 137,388	\$ 144,732	6%
Administrative Analyst	\$ 111,660	\$ 117,252	\$ 100,596	\$ 105,624	\$ 115,824		\$ 117,636	\$ 106,032	\$ 99,864	\$ 110,124	\$ 108,456	\$ 109,045	2%
Secretary	\$ 97,440	\$ 81,624	\$ 85,512	\$ 86,376	\$ 85,848	\$ 86,976	\$ 78,864	\$ 86,736	\$ 78,408	\$ 80,424	\$ 81,804	\$ 83,257	17%
PROTECH													
Accountant	\$ 110,472	\$ 117,252	\$ 98,568	\$ 97,128	\$ 113,724	\$ 101,784	\$ 108,084	\$ 101,928	\$ 98,196	\$ 95,712	\$ 100,128	\$ 103,250	7%
Associate Planner	\$ 126,024	\$ 118,512	\$ 104,832	\$ 111,912	\$ 137,016	\$ 100,020	\$ 117,852	\$ 114,408	\$ 123,252	\$ 106,692	\$ 116,748	\$ 115,124	9%
Building Inspector	\$ 118,392	\$ 106,572	\$ 106,884	\$ 105,120	\$ 116,448	\$ 98,136	\$ 103,548	\$ 116,868	\$ 104,964	\$ 94,368	\$ 100,116	\$ 105,302	12%
Public Works Inspector	\$ 118,392	\$ 104,268	\$ 106,884		\$ 116,448		\$ 103,548	\$ 106,800		\$ 98,340	\$ 100,116	\$ 105,201	13%
Office Assistant II	\$ 75,816	\$ 71,244	\$ 67,896	\$ 78,312	\$ 76,116			\$ 75,936	\$ 70,800	\$ 64,836	\$ 63,972	\$ 71,139	7%
MEA													
Maint. Worker II	\$ 80,088	\$ 78,240	\$ 78,684		\$ 89,952	\$ 74,904	\$ 80,520	\$ 83,856	\$ 78,456	\$ 71,532	\$ 76,392	\$ 79,171	1%
Maint. Worker III	\$ 90,288	\$ 81,648	\$ 85,104			\$ 81,360	\$ 89,280	\$ 87,264	\$ 86,172	\$ 79,572	\$ 87,348	\$ 84,719	7%
Vehicle Maint. Worker II	\$ 92,640	\$ 86,820	\$ 88,548	\$ 91,656	\$ 96,492	\$ 82,632	\$ 91,188	\$ 96,600	\$ 87,264	\$ 84,360	\$ 84,792	\$ 89,035	4%
MSA													
Senior Maint. Supervisor	\$ 134,340	\$ 117,252	\$ 109,740	\$ 120,072	\$ 127,728	\$ 122,304	\$ 95,112	\$ 111,924	\$ 108,720		\$ 114,672	\$ 114,169	18%
Senior Management													
Assistant City Manager	\$ 206,868		\$ 205,740	\$ 204,684	\$ 185,184		\$ 215,952	\$ 214,500	\$ 217,008	\$ 168,864		\$ 201,705	3%
Finance Director	\$ 200,880	\$ 185,988	\$ 205,740	\$ 200,304	\$ 185,184	\$ 204,240	\$ 197,616	\$ 208,200	\$ 187,884			\$ 196,895	2%
Human Resources Dir	\$ 187,416	\$ 176,364	\$ 205,740	\$ 187,320		\$ 197,568	\$ 189,096	\$ 190,200	\$ 187,884			\$ 190,596	-2%
Fire Chief	\$ 243,312		\$ 243,084	\$ 225,096	\$ 210,000	\$ 241,560		\$ 232,152	\$ 228,660	\$ 204,924		\$ 226,497	7%
Police Chief	\$ 267,696	\$ 224,196	\$ 243,204	\$ 244,872	\$ 209,868	\$ 242,172	\$ 252,612	\$ 269,748	\$ 228,888	\$ 196,392	\$ 251,592	\$ 236,354	13%

Notes:

- 1) Total Compensation includes maximum base salary, benefits (see note 3), employer's contribution to retirement plan, medicare, social security and/or deferred comp, education incentive pay, holiday in-lieu pay and uniform pay.
- 2) For this benchmark comparison, total compensation does not include special incentive pay such as longevity pay.
- 3) Benefits include medical, dental, vision, life, and long-term disability provided by employer

Longevity Pay by Benchmark City

Effective April 2005

CITY	Eligible Employees	Provisions
Milpitas	Safety - IAFF and MPOA (non-management)	3% of base after 9 years; 5% of base after 14 years (3% + 2%); 7% of base after 19 years (5% + 2%)
Livermore	POA - Officer and Sergeant	effective 6/27/05: 2.5% of base after 5 years; 5% of base after 11 years (2.5% + 2.5%)
Mountain View		none
Palo Alto		none
Pleasanton		none
Redwood City	Safety - IAFF, POA, PSA	2.5% after 15 years; 5% after 20 years (2.5% + 2.5%); 7.5% after 25 years (5% + 2.5%) Employees receiving service incentive are not eligible for Education incentive.
San Leandro		none
Santa Clara	All employees except Unclassified Management	2.5% after 10 years, including minimum of 1 year at step 5; 5% after 15 years (2.5% + 2.5%), including minimum of 1 year at first Longevity step
So. San Francisco	IAFF POA, Misc. Mid-Mgmt, Safety Mid-Mgmt, Operating Engineers, Confidential Employees, AFSMCE	2.5% after 7 years 1.5% after 15 years; 2.5% after 20 years (1.5% + 1%)
Union City	IAFF	1.8% after 19 years
Walnut Creek	none	none

PERSONNEL COST BUDGET SURVEY

	Milpitas	Santa Clara (1)	San Jose (2)	Mtn. View	Hayward	Fremont	Union City
Total City budget including all funds	\$125,538,449	\$446,957,746	\$2,695,444,850	\$177,110,037	\$165,837,000	\$252,981,000	\$70,096,488
Total personnel costs (salaries and benefits)	\$60,579,025	\$121,192,005	\$699,574,089	\$67,664,323	\$93,167,000	\$104,757,205	\$35,313,363
Percentage of personnel costs (salaries and benefits) to total City budget	48.26%	27.11%	25.95%	38.20%	56.18%	41.41%	50.38%
Total personnel costs (salaries and benefits) funded by the General Fund	\$55,809,291	\$93,351,523	\$507,587,962	\$50,741,124	\$79,065,000	\$78,928,050	\$24,076,982
Percentage of personnel costs (salaries and benefits) funded by the General Fund	82.70%	75.48%	71.52%	71.05%	84.20%	68.62%	77.19%
Percentage of Public Safety personnel costs to total city personnel costs	54.83%	46.27%	47.85%	48.39%	59.80%	56.98%	63.53%

NOTES:

(1) The City of Santa Clara operates an electric utility and a convention center.

(2) The City of San Jose operates an airport, a convention center, and a water pollution control plant.

PERSONNEL COST BUDGET TRENDS

	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Total City budget including all funds	\$87,196,841	\$97,129,056	\$117,309,401	\$124,582,776	\$125,753,386	\$105,331,006	\$105,495,871	\$99,232,847	\$125,538,449
Total personnel costs (salaries and benefits)	\$34,362,668	\$35,875,519	\$38,776,367	\$39,474,927	\$44,229,902	\$48,808,149	\$50,943,489	\$54,147,152	\$60,579,025
Percentage of personnel costs (salaries and benefits) to total City budget	39.41%	36.94%	33.05%	31.69%	35.17%	46.34%	48.29%	54.57%	48.26%
Total General Fund budget	\$42,640,646	\$45,166,751	\$48,555,096	\$50,906,594	\$55,798,558	\$60,693,367	\$60,545,702	\$60,101,116	\$67,484,450
Total personnel costs (salaries and benefits) funded by the General Fund	\$32,425,312	\$33,928,572	\$36,599,070	\$36,894,500	\$41,014,884	\$45,353,153	\$47,401,414	\$49,999,489	\$55,809,291
Percentage of personnel costs (salaries and benefits) funded by the General Fund	76.04%	75.12%	75.38%	72.47%	73.51%	74.73%	78.29%	83.19%	82.70%
Public Safety personnel costs (salaries and benefits)	\$18,805,148	\$19,928,734	\$21,018,337	\$20,183,326	\$22,846,361	\$24,373,039	\$26,299,111	\$29,071,325	\$33,215,413
Percentage of Public Safety personnel costs to total General Fund personnel costs	58.00%	58.74%	57.43%	54.71%	55.70%	53.74%	55.48%	58.14%	59.52%

General Fund
Three Year Projection - FY 2005-06 to FY 2007-08
(Draft only)

	<u>FY05-06</u>	<u>FY06-07</u>	<u>FY07-08</u>
Estimated Revenues			
Property Taxes	13,534,000	14,210,700	14,921,235
Sales & Use Tax	15,595,000	16,218,800	17,029,740
Hotel/Motel Tax	4,301,000	4,473,040	4,651,962
Other Taxes	3,559,000	3,701,360	3,886,428
License & Permits	2,973,000	3,270,300	3,597,330
Fine & Forfeitures	806,000	822,120	838,562
Rents and Concessions	303,000	309,060	315,241
Interest Income	1,137,000	1,171,110	1,206,243
Motor Vehicle in-lieu fees	534,000	1,534,000	539,340
Charges for Current Services	2,908,000	3,024,320	3,145,293
Other Revenues	504,000	524,160	545,126
Operating Transfers	<u>19,673,426</u>	<u>13,844,895</u>	<u>14,121,792</u>
Total Estimated Revenues and Other Financing Sources	<u>65,827,426</u>	<u>63,103,865</u>	<u>64,798,293</u>
Estimated Expenditures			
Salaries-Permanent	42,038,850	42,879,627	43,737,220
Salaries-Temporary	2,875,030	2,932,531	2,991,181
Salaries-Overtime	1,375,212	1,402,716	1,430,771
Benefits-mandated (PERS, Med, W/C)	10,291,410	10,497,238	10,707,183
Benefits-Group Insurance	5,868,025	6,454,828	7,035,762
Benefits-fixed	533,066	533,066	533,066
Benefits-increase with salary	691,835	705,672	719,785
Vacancy Factor	(6,319,679)	(4,746,073)	(4,840,994)
Charged to CIP	<u>(1,946,599)</u>	<u>(1,985,531)</u>	<u>(2,025,242)</u>
Subtotal	55,407,150	58,674,074	60,288,732
Services & Supplies	12,303,796	12,672,910	13,053,097
Capital Outlay	110,185	110,000	110,000
Debt Service	1,260,929	1,260,000	1,260,000
Capital Improvements	-	-	-
Subtotal	<u>13,674,910</u>	<u>14,042,910</u>	<u>14,423,097</u>
Reduced funding savings	(3,289,962)	(3,372,211)	(3,456,516)
Total Estimated Expenditures	<u>65,792,098</u>	<u>69,344,773</u>	<u>71,255,313</u>
Surplus or (Deficit)	35,328	(6,240,908)	(6,457,019)

Assumptions:

- (1) Revenues are projected to increase in the 2%-5% range, except for permit fees which are projected to increase 10% in the next 2 years based on anticipated residential developments in the Midtown and Town center.
- (2) Expenditures are projected to increase in the 2%-3% range, except for medical insurance premium which is projected to increase in the 9%-10% range.
- (3) It is assumed that reduced funding (only fund 95% of budget requests) will continue. Otherwise, the deficit will be much more in the future.
- (4) FY 05-06 operating transfers include \$6.1 million transfer from RDA for acquisition of properties from the City. It is not anticipated that RDA will transfer similar amounts in the near future.
- (5) FY 06-07 Motor vehicle in-lieu fees include a repayment of approximately \$1 million from the State for fees that should have been backfilled to the City in FY 03-04. This is a one time repayment only.

**FY 2005-05 General Fund
Cost Savings due to 95% Funding**

	<u>Total Savings</u>	<u>Proposed unfunded programs or services</u>
City Council & Manager	48,000	City Newsletter
City Clerk	46,626	Eliminate 1/2 time temp office assistant, reduce service & supplies for central printing & offsite storage
Engineering	93,708	Defer hiring two Engineer positions
Building	115,457	Reduction of one staff
Recreation	244,071	Eliminate City Calendar, grants, Stay & play at Rose, trip week, Indo American meals & reduce some programs and hrs.
Policy Planning	<u>547,862</u>	
Finance	141,695	Eliminate 1 studen intern, 2 temp. staff and reduce training, repairs, supplies, and consultant services budget
Public Works	434,463	Reduce temp/seasonal workers, overtime, supplies, contractual services, memberships & training
Planning	124,000	Eliminate spay/neuter, suggested routes to school, reduce project outreach, contractual services & temp workhours
Police	1,088,515	Freeze trainees, interns, 4 sworn and 1.5 non-sworn positions, and reduce 1.5 non-sworn positions
Fire	759,637	Freeze 3 or 4 positions due to retirement and reduce supplies and contractual services
Information Svcs	127,010	Reduce temp workhours, reduce supplies, eliminate some pagers, maintenance svcs and offsite data storage
Human Resources	66,780	Eliminate Svc Awards, health fair, investigation retainer, meals for interview panels, reduce training and supplies budget
Non-Departmental	<u>1,700,000</u>	Further reduction of workforce from attrition and additional hiring freeze
Total	<u><u>4,989,962</u></u>	

BINDERS FOR

PROPOSED FISCAL YEAR 2005 – 2006 BUDGET AND 2005- 2010

CAPITAL IMPROVEMENT PROGRAM

ARE AVAILABLE AT THE CITY HALL

INFORMATION DESK